

Department of Social and Health Services

DP Code/Title: M2-HE MMIS Reprocurement

Program Level - 080 Medical Assistance

Budget Period: 2003-05 Version: H2 080 2003-05 2004 Sup-Agency Req

Recommendation Summary Text:

The department is requesting funds to reprocore the Medicaid Management Information System (MMIS) contract. Funds requested will support completion of a feasibility study/requirements analysis/development of functional and business requirements and development of a long-term MMIS strategy to meet future business and reporting needs. Statewide result number 5.

Fiscal Detail:

Operating Expenditures

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Overall Funding			
001-1 General Fund - Basic Account-State	51,000	87,000	138,000
001-C General Fund - Basic Account-DSHS Medicaid Federa	461,000	786,000	1,247,000
Total Cost	512,000	873,000	1,385,000

Staffing

	<u>FY 1</u>	<u>FY 2</u>	<u>Annual Avg</u>
Agency FTEs	5.0	10.0	7.5

Package Description:

The MMIS supports the operations, maintenance and enhancements for the Department of Social and Health Services (DSHS) Medicaid programs with provider payments and related reporting totaling over \$6 billion per biennium. The Information Services Board (ISB), Centers for Medicare and Medicaid Services (CMS) and the Legislature supports this reprocurement effort. The ISB has approved the department's phased reprocurement strategy, which includes operation of the current system through December 31, 2006 with an optional year through December, 2007 if needed.

BACKGROUND

DSHS purchased the current MMIS in 1982 under a contract with Consultec Inc. (now Allied Computer Services State Healthcare). In 1982 the MMIS was expected to pay providers quickly and accurately. In 2003, executive managers, the Governor's Office, Legislators, and other stakeholders have come to expect much more from the MMIS than just timely payments. A 21st Century MMIS is a modular, flexible payment, reporting and decision-support system that supports the diverse business needs of 21st Century Medicaid programs.

Since states tend to invest in new MMIS systems about every 20 years, the investment process must be thoughtful, careful and very strategic. Toward that end, in April 2003 the ISB approved extending the current MMIS contract through 2007, if necessary, to allow sufficient time for a careful reprocurement process. The phased reprocurement process approved by the ISB will enable the department to address a number of critical business concerns including:

- MMIS does not meet current business needs.
- High cost of system modifications necessary to respond to a rapidly changing healthcare industry.
- Extremely limited ability of the MMIS to interface with other systems.
- The need to consolidate critical healthcare data from Medicaid programs, as well as other authoritative data sources such as Child Welfare Services/Case Management System (CWS/CMS), MMIS Extended Database (EDB). and Department of Health Vital Statistics.
- MMIS has limited capability for support of digital government and e-business initiatives.
- MMIS has not been competitively procured since 1989.

SCOPE OF REQUEST

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This decision package requests funding necessary to execute the reprocurement effort in the 2003-05 Biennium. The requested funding will support the following activities:

- project management and staffing a reprocurement team;
- completion of a feasibility study/requirements analysis;
- third party quality assurance oversight;
- equipment purchases to support necessary MMIS infrastructure upgrades; and
- Advanced Planning Document (APD), Request for Proposals (RFP) and contract development, including legal counsel.

Funding of \$1.6 million has been received for Phase 1 of the feasibility study and requirements analysis and for initiation of Phase 2 of the APD/RFP development and acquisition. This decision package requests additional funding for the remainder of the biennium, primarily matchable at a 90 percent federal level.

Results of the feasibility study/requirements analysis will determine the level of expenditures and FTE's required for the reprocurement. Initiation of the feasibility study/requirements analysis was delayed pending CMS approval of the APD that funded the contract. This request is a placeholder. The Medical Assistance Administration will provide errata by the end of December, 2003.

Narrative Justification and Impact Statement

How contributes to strategic plan:

MMIS reprocurement supports the MAA strategic goal of strengthening information and fiscal monitoring systems.

Performance Measure Detail

Program: 080

Goal: 14H Strengthen Information and Fiscal Monitoring Systems

Incremental Changes

FY 1

FY 2

No measures submitted for package

Reason for change:

The MMIS reprocurement project was determined to be necessary by the Legislature, the ISB and the department. This funding will support completion of the initial activities currently underway and will move the reprocurement process into the next phase. MMIS has not been competitively procured since 1989.

Impact on clients and services:

Anticipated improvements in e-government, modularity and flexibility will have positive impacts on clients and services. Examples include better interface capabilities, improved ability to bring critical data together and increased support for on-line client and provider services.

Impact on other state programs:

Any program that processes claims or other transactions through MMIS will be affected. In addition, all agencies who administer Title XIX programs will be included in the feasibility study/requirements analysis to determine whether the new MMIS can meet their business needs. An executive steering committee has been formed to make critical strategic decisions regarding the composition of the new MMIS.

Relationship to capital budget:

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Not applicable

Required changes to existing RCW, WAC, contract, or plan:

Not applicable

Alternatives explored by agency:

1. Rebid maintenance of the existing MMIS.
2. Conduct a feasibility study/requirements analysis to determine the best long-term strategy for the MMIS.

Alternative chosen:

In consultation with the ISB, DSHS agency staff, the Office of Financial Management and legislative staff it was determined that conducting a feasibility study/requirements analysis is the best business decision for the department.

Budget impacts in future biennia:

To be determined by the results/recommendations from the feasibility study/requirements analysis.

Distinction between one-time and ongoing costs:

The feasibility study/requirements analysis, contract development, legal assistance, quality assurance oversight and the network infrastructure upgrade are one-time costs.

The one-time and ongoing cost of the new MMIS and its operation will be addressed in the next biennium. FTE costs will be a blend of one-time and ongoing costs. Details to be determined in the 2005-07 Biennium.

Effects of non-funding:

MMIS operation is a federal requirement for participation in Medicaid. MMIS pays over \$6 billion per-biennium to thousands of providers for health care services to clients in need. Non-funding would force the department to continue the operation of the current system, thereby losing the opportunity to improve functionality, reporting capabilities, system maintenance and the potential to incorporate all Medicaid business into one system such as the Social Services Payment System (SSPS), and A19 system.

Expenditure Calculations and Assumptions:

Project Team FTEs are anticipated to include these ten positions:

- (1) One Contracts/Procurement Manager;
- (2) One Infrastructure Architect;
- (3) One Communications Manager;
- (4) Six Analysts (to provide business, program policy, and budget support); and
- (5) One Administrative Assistant.

Project management and additional technical expertise will be retained through contract personnel.

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<u>Object Detail</u>	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Overall Funding			
A Salaries And Wages	307,000	613,000	920,000
B Employee Benefits	60,000	119,000	179,000
E Goods And Services	44,000	97,000	141,000
G Travel	17,000	34,000	51,000
J Capital Outlays	81,000	0	81,000
T Intra-Agency Reimbursements	3,000	10,000	13,000
Total Objects	512,000	873,000	1,385,000

DSHS Source Code Detail

Overall Funding	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Fund 001-1, General Fund - Basic Account-State			
<u>Sources</u> <u>Title</u>			
0011 General Fund State	51,000	87,000	138,000
<i>Total for Fund 001-1</i>	51,000	87,000	138,000
Fund 001-C, General Fund - Basic Account-DSHS Medicaid Federa			
<u>Sources</u> <u>Title</u>			
19UD Title XIX Admin (90%)	461,000	786,000	1,247,000
<i>Total for Fund 001-C</i>	461,000	786,000	1,247,000
Total Overall Funding	512,000	873,000	1,385,000